

labour-intensive production back to Western countries (such as fashion garments and footwear, of which Italy is a major world supplier).

Reference and further reading

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- Jenkins, R.O. (1984) 'Divisions over the international division of labour', *Capital and Class* 22, 1: 28–57. Useful on the debates between Marxists about the meaning and significance of the NIDL.
- Ozawa, T. (1979) 'International investment and industrial structure: New theoretical implications from the Japanese experience', *Oxford Economic Papers* 31, 1: 72–92. Analysis of the early relocation of industries from Japan in search of lower labour costs.
- Thoburn, J.T. *et al.* (1991) 'Investment in China by Hong Kong companies', *Institute of Development Studies Bulletin* 22, 2: 44–52. Traces the relocation of much of Hong Kong's manufacturing industry to southern China.

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New International Economic Order (NIEO)

Formal proposals for a New International Economic Order (NIEO) were put forth by developing countries at a summit meeting of the NON-ALIGNED MOVEMENT (NAM) in 1973. The origins of the NIEO, however, can be traced back to the Havana Conference in 1948, and stem from economic and political tensions that had been building between the developing and developed nations.

On an aggregate level, the economic performance of the developing countries had been

fairly good in the 1950s. By the early 1960s, however, many developing countries were frustrated with their growth prospects and started demanding a better deal. Rallying in such organizations as the NAM, they created the UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD), where they argued for fairer TERMS OF TRADE and more liberal terms for financing development. The North responded with pious declarations of its good intentions – but also with a hard-nosed insistence that the proper forum for any economic changes continued to be the Bretton Woods institutions where they held the balance of power (see BRETTON WOODS SYSTEM). By the early 1970s, however, the postures of the developing countries were changing:

- 1 A substantial shift occurred in the developing countries' perception of the gains to be had from economic relations with the developed countries under the existing rules of the game; the shift was towards a gloomier view.
- 2 At the same time, the developing countries perceived their own economic and hence political power vis-à-vis the developed countries to be sufficiently substantial to warrant a strategy of effective trade unionism to change the rules of the game and thereby wrest a greater share of the world's wealth and income.
- 3 Finally, a straightforward political desire to participate more effectively in decision-making on international economic matters was evident. Participation was demanded not merely to ensure that the developing countries' interests were safeguarded, but equally as an assertion of their rights as members of an international community and as a desired feature of a just international order.

The success of the members of the ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) in increasing oil prices substantially, starting in 1973, served as a catalyst to pull together the developing countries in support of a call for a New International Economic Order in which their interests would be better represented. This call integrated many of the

proposals that had been discussed previously at UNCTAD and in other world forums.

Specific proposals for changes in the economic system were advanced at the Summit Conference of Non-Aligned Nations held in Algiers in September 1973. Following that, the Sixth Special Session of the UN General Assembly was called hastily for April 1974. This session adopted, without a vote, a manifesto entitled 'Declaration and Programme of Action of the New International Order'. In December 1974, the General Assembly approved the Charter of Economic Rights and Duties of States.

The NIEO is essentially an eighteen-clause document that seeks certain changes in the international system that would allow LESS-DEVELOPED COUNTRIES (LDCs) the opportunity to build their way out of the never-ending cycle of poverty. Several main clauses stand out:

- 1 adoption of an integrated approach to price supports for an entire group of developing country commodity exports;
- 2 the indexation of developing country export prices to tie them to rising prices of developed countries' manufactured exports;
- 3 the attainment of OFFICIAL DEVELOPMENT ASSISTANCE (ODA) to reach the target of 0.7 per cent of GROSS NATIONAL PRODUCT (GNP) of the developed countries;
- 4 the linkage of development aid to the creation of the SPECIAL DRAWING RIGHTS (SDRs) of the INTERNATIONAL MONETARY FUND (IMF);
- 5 the negotiated redeployment of some developed countries' industries to the developing countries;
- 6 the lowering of TARIFFS on the exports of manufactures from the developing countries;
- 7 the development of an international food programme; and
- 8 the establishment of mechanisms for the transfer of technology to developing countries, separate from direct capital investment.

The Charter of Economic Rights and Duties of States included two basic and controversial propositions:

- 1 It affirmed each state's full permanent sovereignty over its natural resources and economic activities, which was specifically set out to include the right to nationalize foreign property, without regard to existing international laws.
- 2 It confirmed the right of primary-product producers to associate in producers' cartels and the duty of other countries to refrain from efforts to break these cartels.

The most important provisions in the programme designed to establish the NIEO dealt with the management and pricing of at least ten core commodities: cocoa, coffee, copper, cotton, hard fibres, jute, rubber, sugar, tea and tin, and seven other commodities with slightly lower priority: bananas, bauxite, iron ore, meat, rice, wheat and wool. Specifically, the objectives of the commodity programme were to (1) reduce excessive price and supply fluctuations, and (2) establish and maintain commodity prices that, in real terms, are equitable to consumers and remunerative to producers. To achieve these goals, the following integrated measures were proposed: (1) the establishment of international BUFFER STOCKS, (2) the creation of a COMMON FUND to finance these stocks, (3) the signing of multilateral trade commitments and (4) the arrangement of improved compensatory financing to stabilize export earnings.

Both of the UN documents discussed above lay the blame for the low incomes in the South on past exploitation under COLONIALISM and NEO-COLONIALISM. These terms come from the socialist-Marxist literature (see MARXISM-Leninism) that defines as exploitation all commercial activities in which business firms retain any part of net revenue as profits or return to invested capital, rather than paying it all in the form of wages to labour employed by the firm. This proposition follows directly from the Marxist proposition that any net income not going to wages is SURPLUS VALUE. Under colonialism, the instruments of exploitation were the colonial administration; under neo-colonialism, they are the modern multinational enterprises (MNEs).

Confronted by the far-reaching demands for reform of the world's economic and social systems, the North responded by calling for the Seventh Special Session of the UN General Assembly. This session, held in September 1975, was intended to arrive at a North-South compromise and resulted in the issue of Resolution 3362, which was adopted by consensus. This resolution basically endorsed the demands for NIEO, the ideas for price indexation, the 0.7 per cent aid target, the SDR-aid link, and many other provisions originating with the South coalition. The United States and other Northern delegates attached detailed reservations to the resolution, but its passage represented a symbolic victory for the South. The negotiations leading to the resolution had the main effect of changing slightly the militant tone of the proceeding documents and led to the incorporation of some demands for changes and programmes proposed by the United States.

These US proposals centred on the basic principle of maintaining the existing economic system and the provision of development assistance through increased trade liberalization, the transfer of aid and technology through international organizations outside the direct control of the United Nations and the creation of some programmes for the stabilization of commodity prices and the creation of some buffer stocks, of a fund to stabilize export earnings of developing countries, and of agreements on coffee, cocoa and sugar.

At the UNCTAD IV conference in Nairobi in May 1976, the proposals for the establishment of a NIEO were reworded slightly in some instances, but their essence remained unchanged when they were adopted as resolutions, with only the United States and the Federal Republic of Germany voting against them. Most significantly, the conference laid out a timetable for the study and implementation of one of the most controversial proposals, involving the INTEGRATED PROGRAMME FOR COMMODITIES (IPC) – giving it a bureaucratic life of its own and raising exceptions about its ultimate adoption.

As things turned out, the NIEO never became much more than a rallying cry for the South. This failure stemmed partly from the South's lack of power in world politics and partly because disparities within the South created divergent interests among the member-states. Also, it became apparent that many of the proposed commodity schemes were not simply a proposal for stable prices but, instead, for high prices. As such, the financial costs of implementing these programmes were way beyond anything the advanced countries were willing to fund. In the 1980s, the terms of trade further deteriorated for raw material exporters and the debt problems experienced by many of the nations advocating the NIEO forced them on to the defensive in international forums.

Further reading

- Bhagwati, J.N. (ed.) (1977) *The New International Economic Order: The North-South Debate*, Cambridge, MA: MIT Press. Leading authorities discuss various facets of the NIEO.
- Krasner, S. (1985) *Structural Conflict*, Berkeley, CA: University of California Press. Argues that many North-South conflicts are rooted in asymmetries of power.
- Murphy, C. (1984) *Emergence of the NIEO Ideology*, Boulder, CO: Westview. Shows the manner in which NIEO proposals have shifted over time.
- Rothstein, R.L. (1979) *Global Bargaining: UNCTAD and the Quest for a New International Economic Order*, Princeton, NJ: Princeton University Press. Traces formation of UNCTAD and its role in the NIEO.

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new international financial architecture

The debate in the late 1990s over the shape of the 'new international financial architecture' pitted those who would continue LIBERAL-